

OPENING STATEMENT OF  
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CHAIRMAN  
SUBCOMMITTEE ON ENVIRONMENT, TECHNOLOGY, AND STANDARDS  
COMMITTEE ON SCIENCE  
U.S. HOUSE OF REPRESENTATIVES

***“Small Business Innovation Research:  
What is the Optimal Role of Venture Capital?”***

Tuesday, June 28, 2005  
3:00 P.M – 5:00 P.M.  
2318 Rayburn House Office Building

Good afternoon and welcome to today’s hearing, entitled “Small Business Innovation Research: What is the Optimal Role of Venture Capital?”

I thank my colleague, Congressman Baird, for suggesting that the Subcommittee examine this important and timely issue.

The Small Business Innovation Research program (SBIR) was created by Congress in 1982 to increase the participation of small technology firms in Federal research and development activities. Federal departments and agencies with R&D budgets of 100 million dollars or more are required to set aside 2.5 percent of their R&D funding to sponsor research at small companies through the SBIR program -- these include the Department of Defense, the National Institutes of Health, the National Science Foundation, as well as smaller agencies such as the National Institute of Standards and Technology.

From 1983 through 2003, more than \$15 billion has been awarded to small companies for about 76,000 projects. In 2003 alone, more than \$1.6 billion was awarded to small companies for 6,200 projects. These figures are surprising to most, including Members of Congress who do not closely follow the program. The program has been reauthorized twice since its inception and the current authorization is set to expire in 2008.

While there are many aspects of the program that warrant further review as Congress prepares to reauthorize SBIR, the specific issue we wish to discuss today is the role of venture capital in the small businesses that receive SBIR grants. For the past several years, this issue has been a hot topic for debate. The Small Business Administration, which sets the underlying rules of the program, has issued rulings that some interpret to limit the participation in SBIR of small businesses that are largely owned by venture capital firms.

For small businesses in some industries, such as biotechnology, which generally have significant venture capital involvement, these rulings have caused great concern. Other small companies believe there should be limits on outside ownership for those companies wanting to participate in the SBIR program.

This is a complicated issue, and one which deserves to be aired. I am looking forward to hearing from our witnesses.